

our attention just now, and they are not so notably successful in getting the country out of financial difficulty as they were in other lines of effort.

The Federal Reserve System may not be a bad system, in spite of the fact that it yields government monetary functions to private financial corporations, but there are all sorts of testimony that it has been badly manipulated. Mr. Warburg, the reader will remember, spoke about certain things being "overcome in an administrative way," showing that there was a certain amount of "play" or loose motion in the system which could be manipulated either way. The fact remains that the country went swimmingly through the war by reason of the assistance of the System, and is coming very lamely through the Peace, as the result, monetary experts say, of the hindrance of the same System. Mr. Warburg whose name was so prominently connected with the advertisement of the glory of the System, must also stand being mentioned in connection with the criticism.

The Masters of Cash Never "Caught"

WHATEVER money we are said to have as the per capita in the United States, it is a false statement. The money *per capita* should always be figured on the basis of the money in circulation. The statistical "per capita" is not always in circulation. Less than half of it, as a rule. The rest is being juggled.

Whatever the gold in the country, the wealth is still greater. There is more wealth in the United States than there is gold in the world. One year's products of the farms of the United States exceeds in money value all the gold in the world.

Yet, under our present system, the burgeoning bulk of the country's wealth must pass through the narrow neck of Money. And the Money must pass through the still narrower neck of Gold. And the controller of the Gold, under our present system, controls the world. There is more wealth than there is money; there is more money than there is gold; money exists at the pleasure of gold; wealth moves at the pleasure of money. Whoever sits at the neck of money, opening or closing as he will, controls the movement of the world's wealth. And the world's prosperity depends on the movement of that wealth. When wealth stands still and does not pass from hand to hand, the world's circulation has stopped; the world becomes economically sick.

The scarcity of cash in hand has led to Credit. Credit is a form of barter. It is a form of dealing by which many transactions are carried on, only the final one being cleared in money. It is a device which has its dangers, in spite of the efforts of apologists to exploit its advantages. But one thing the system of Credit indubitably does—it allows the money masters to hang on to the Cash. When the world is caught, it is caught with paper, not with Cash. The Cash is always in the hands of those who extol the advantage of the Credit System. Who holds money holds power, and will hold it, until real barter or real money comes in fashion again.

In 1919-1920, according to one of the best monetary authorities in the United States, the total shrinkage in values of the products of our fields, mines, factories, mills and forests represented a sum greater than the total gold supply of the world. It runs as high as the total amount of Liberty Bonds outstanding.

Federal Reserve vs. National Condition

PEOPLE say, "Well, the prices were too high." Certainly they were too high, but who and what made them too high? It was the generosity with which money was supplied by the private Federal Reserve System. There was plenty of money. People say, "Well, the shrinkage is only in paper values; the real value of the product is still there." Certainly, but when you live under a system in which "real" value and "money" value are so intimately intertwined that it affects your bread and butter, the tenure of your farm, and the steadiness of your job, it is pretty hard to separate the two. Moreover, when your prosperity was due to the readiness of a group of men to let out money, and your adversity is due to the unwillingness of the same group, and your own welfare and your country's welfare is thus see-sawed up and down without any reference to natural law but solely upon determinations taken in committee rooms, you naturally inquire, "Who is doing this? Where is all the money gone? Who is holding it? Here is the wealth of the country; here is the need of the country; where is the money to transfer the wealth to the need? Every condition remains as it was, except money."

We have a Federal Reserve System which still is benefiting by the assistance of its perfecter and director, Paul M. Warburg. And what is the condition in the United States?

Some of the biggest industrial institutions in the country now in the hands of creditors' committees.

Farmers being sold out by the hundreds, their horses bringing about \$3 each.

Cotton and wool enough to clothe the nation, spoiling in the hands of the men who raised it and cannot dispose of it.

Every line of business, railroading, newspaper publishing, store-keeping, manufacturing, agriculture, building, in depression. Why? For lack of money.

Where is the money? This is the country that is supposed to be the financial center of the world—where is the money?

It is in New York. The Federal Reserve System, which Mr. Warburg desired to head up in one central bank, has just about turned out that way. The money is in New York. Here is the charge made to the governor of the Federal Reserve Board by a responsible public official who knows:

While there is a scarcity of money for the producing sections of the West and Northwest, the South and Southwest, "we find that individual banks in New York City are borrowing from the Reserve System, in a number of cases, more than \$100,000,000 each; and sometimes as much as \$145,000,000 is loaned there to a single bank—twice as much as some of the Reserve Banks have been lending recently to all the member banks in their districts."

One bank in New York borrowed \$134,000,000, or \$20,000,000 more than the Federal Reserve Bank of Kansas City was advancing to 1,091 member banks in that Reserve District which covers the states of Kansas, Nebraska, Colorado, Wyoming, and parts of Missouri, Oklahoma and New Mexico.

"New York" Always Gets Money

AT THE same time, another New York bank was borrowing from the Federal Reserve Bank about \$40,000,000, which was more than the aggregate loans which the Federal Reserve Bank of Minneapolis was lending to its 1,000 member banks in the great states of Minnesota, North and South Dakota, Montana and part of Wisconsin.

Another New York bank borrowed from the Federal Reserve Bank a sum which was greater by \$30,000,000 than the Federal Reserve Bank at Dallas was lending to all the banks in Texas, Louisiana and Oklahoma.

Still another New York bank got a loan which equaled the total loans allowed by the Federal Reserve Bank of St. Louis to the 569 member banks of that very important district, which includes the whole state of Arkansas, parts of Illinois, Indiana, Kentucky, Tennessee and Mississippi, and the larger part of Missouri.

Take the Fifth Federal Reserve District, served by the Federal Reserve Bank at Richmond, Virginia: one New York bank was able to borrow from the New York Reserve Bank more than the Richmond Reserve Bank would lend to all its member banks in Maryland, Virginia, North and South Carolina and the larger part of West Virginia.

That is the situation. The twelve regional banks, which were supposed to make money serve all parts of the country equally, have apparently been "overcome in an administrative way" to such an extent that the New York Federal Reserve Bank is to all intents and purposes the Central Bank of the United States, and serves the speculative part of the country with millions, while the productive part of the country is permitted to wilt with paltry thousands.

When it can occur that four New York banks can borrow from the New York Federal Reserve Bank as much money as the banks of 21 states were able to borrow from the five Federal Reserve Banks of St. Louis, Kansas City, Minneapolis, Dallas and Richmond—there would seem to be need of explanation somewhere.

A Suction Pipe From West to East

WHERE did this money loaned in New York come from? It came from those parts of the country where money was scarcest. In May, 1920, the word went out over telephones—"The tie-up will come on the 15th." And it came. Credit was stopped. Payment was pressed. A stream of money, literally squeezed out of the producing sections of the country, began to roll toward New York. Otherwise those giant loans just recorded would have been impossible. It was pressure, Federal Reserve pressure, politely known as deflation, and that is the way it worked. The banks of the West were squeezed dry that the banks of New York might overflow.

"The money was withdrawn from legitimate business in various parts of the country to be loaned at fancy rates in Wall Street," says the official referred to above.

The speculative banks, it has been discovered, were able to borrow money at six per cent, which money they loaned at as high as 20, 25 and 30 per cent.

Federal Reserve deflation created a scarcity which speculative banks utilized. The Federal Reserve policy took the money out; New York banks borrowed the

money thus taken out, and loaned it at tremendous rates—rates which people paid to stave off the ruin caused by the moneyless condition which the ill-measured deflation process brought on.

And all this time the Federal Reserve System was in the best financial condition of its whole career. In December, 1920, it had 45 per cent of its reserves, which was a higher reserve than it had in December, 1919. But at this writing (July, 1921) the reserve has reached 60 per cent.

The money is in New York. Go out through the agricultural states, and you will not find it. Go into the districts of silent factories and you will not find it. It is in New York. The Warburg Federal Reserve has deflated the country. A System that was intended to equalize the ups and downs of financial weather has been used "in an administrative" way to deplete the country of money.

Federal Reserve's Own Reserve High. Why?

THE Federal Reserve Idea was doubtless right; if it had not been, it could not have been established. But it has been manipulated. It has not been a "federal" reserve; it has been a private reserve. It has been operated in the interest of bankers and not of everyone in general. Capable of being used to carry the country gradually back to a natural flow of business and to a natural level of prices, it was used to bludgeon business at a critical time and to bludgeon it in such a way that money-lenders profited when producers suffered.

If that is the fact, there is no American banker but will say that the method was wrong; economically wrong, logically wrong, commercially wrong, if not criminally wrong.

Today the Federal Reserve boasts of its own reserve as if that were a sign of national economic health. With the country struggling to live, the Federal Reserve ought to be low, not high. The height which the reserve has reached is a measure of the depth of the country's depression.

If the Federal Reserve would let out a part of that flood of money—a high financial authority suggests that less than 10 per cent would do it—it would be like an infusion of blood into the nation's veins.

Kuhn, Loeb & Company, the Speyers and the other Jewish money-lenders have money for Mexico, Norway, Germany, and all sorts of commercial companies being organized to do business overseas, and it is American money. The Warburg Federal Reserve System has been badly misused, badly manipulated, and the country is suffering from it.

Still, the people know not what to do. Money is still a mystery. Banking is still sacrosanct. What would be perfectly apparent if done in ordinary business intercourse with a \$5 bill, is exceedingly complicated when the sum is five millions and the parties are (1) country banks, (2) Federal Reserve banks and (3) Wall Street speculative institutions. Yet they are only Tom, Dick and Harry with a \$5 bill, after all.

Borrowers Cannot Be Critics

THE matter is somewhat affected by the gags that are placed on many men competent to criticize. High officials are more or less tied up, by campaign contributions in which all financial concerns have an interest. Legislative officials are, too many of them, indebted to these same interests. A schedule of the private debts of some of the men who have aspired to the Presidency in the last eight years would be very illuminating—almost as illuminating as a schedule of the names of Jews at whose homes they stayed while on journeys through the country. Men who are thus tied up with the present financial system cannot say what in their minds they know.

It is all illustrated in the testimony of T. Cushing Daniel before a committee of Congress. It shows to what an extent the power of this private corporation called the central bank can reach:

"When going through the Bank of England I presented a letter which I had from Secretary Hay, and the official of the bank was very polite. He took me through the bank and when we got back to the reception room I asked him if he would allow me to put a few leading questions to him. He said he would, and I asked him if he would give me a statement of the Bank of England. 'We do not issue statements.' 'Does not the House of Parliament sometimes call on you for some statement as to the condition of the bank?' 'No, sir; they do not call on us.' . . . 'How is it that some of these revolutionists, so-called, do not get up in the House of Commons and raise the devil to know something about what is going on down here? That would be the condition in our country.' 'Oh, most of them are large borrowers from the bank, and we have no difficulty with them.' (laughter.)"